Testimony of Kevin R. Hennessy
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My name is Kevin Hennessy. I am assistant counsel for the Connecticut Business and Industry Association (CBIA). CBIA represents approximately 10,000 member companies in virtually every industry. They range from large, global corporations to small, family owned businesses. Approximately 90 percent of our member companies have fewer than 50 employees. All of our members are energy consumers and rely on energy for their respective day-to-day operations.

Thank you for the opportunity to comment on the following bills:

- **SB-1081**, AAC Class III Renewable Energy Credits;
- **SB-102,** AA Expanding the Definition of a Class I Renewable Energy Source;
- **HB-6459**, AAC Renewable Resource Generation;
- **Proposed HB-5699,** AA Providing Relief to Electricity Customers; and
- **Proposed HB-6026,** AAC Nuclear and Coal Generating Facilities

SB-1081, AAC Class III Renewable Energy Credits & **SB-102**, AA Expanding the Definition of Class I Renewable Energy Source

SB 1081, *AAC Class III Renewable Energy Credits,* would expand Connecticut's Renewable Energy Portfolio Standard (RPS). Specifically, **SB-1081** calls for increasing the amount of Class III renewable sources - combined heat and power systems, waste heat recovery systems and savings from the state's energy efficiency programs - from 4% to 15% by 2020. This will increase Connecticut's RPS goals from 27% of our electricity having to come from Class I, II or III resources to 38% of our electricity coming from such resources by 2020.

SB-102, *AA Expanding the Definition of Class I Renewable Energy Source*, would define waste heat recovered from a public wastewater treatment plant as a Class I renewable energy source in Connecticut.

CBIA is supportive of reviewing the costs and benefits associated with our RPS and potentially classifying additionally resources as renewable (Please see "Exhibit A" for the current estimated annual costs to achieve our RPS). However, rather than addressing RPS related bills on a case-by-case basis, CBIA supports a more in-depth review.

Currently, the Connecticut Energy Advisory Board (CEAB) is undertaking a comprehensive study of Connecticut's RPS. The CEAB has concluded that it is important to review the objectives of the RPS, in terms of the outlook for their success, their impact on electric ratepayers, the environmental and security performance of the electric system, the market for renewable energy, and other societal costs and benefits.

CBIA encourages policymakers to participate in this study and utilize its results to adopt a strategic energy policy that will be achievable, consistent and cost-effective. Connecticut's economy will have the opportunity to grow if its policies, including energy, are stable and consistent and reduced costs are the priority.

Exhibit A

Year	Class I	Class II or Class I (add'l)	Class III Program	Total	Estimated Annual Costs $ Millions Low	High
2005	1.5%	3%		4.5%	13.6	30.7
2006	2%	3%		5%	16.1	37.8
2007	3.5%	3%	1%	7.5%	30.4	66.7
2008	5%	3%	2%	10%	44.5	99.4
2009	6%	3%	3%	12%	55.4	121.2
2010	7%	3%	4%	14%	66.3	143
2011	8%	3%	4%	15%	72.6	160.3
2012	9%	3%	4%	16%	79.1	178
2013	10%	3%	4%	17%	85.1	194.6
2014	11%	3%	4%	18%	91.3	211.8
2015	12.5%	3%	4%	19.5%	100.7	237.5
2016	14%	3%	4%	21%	110.6	264.6
2017	15.5%	3%	4%	22.5%	120.1	290.7
2018	17%	3%	4%	24%	130.8	319.8
2019	19.5%	3%	4%	26.5%	148.2	637.1
2020	20%	3%	4%	27%	152.9	379.7

[1]

[1] Chairman DelGobbo's presentation to Energy & Technology Committee on the DPUC Electric Rate Setting Process, December 2010.

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HB-6459, AAC Renewable Resource Generation

HB-6459, *AAC Renewable Resource Generation*, would allow Connecticut's electric distribution companies to own and operate Class I or II renewable energy sources not to exceed five megawatts in capacity for each company.

Rather than enacting this measure, CBIA encourages the Energy & Technology committee to adopt the utility-owned generation language from **SB-1079**. Section 2 of **SB-1079** allows electric distribution companies to own and operate renewable energy sources provided the Department of Public Utility Control (DPUC) has approved the project in a contested proceeding in which others can submit alternative proposals and it is determined that the resource is in the interest of the state and maintains reasonable costs. This provides safeguards for electric ratepayers while giving the utility companies the opportunity to compete to own and operate renewable resources to help meet our RPS goals.

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Proposed HB-5699, AA Providing Relief to Electricity Customers & **Proposed HB-6026,** AAC Nuclear and Coal Generating Facilities

Proposed HB-5699, *AA Providing Relief to Electricity Customers*, would impose a first in the nation "windfall profits tax" on electric generators in Connecticut who earn more than twenty per cent on equity.

Proposed HB-6026, *AAC Nuclear and Coal Generating Facilities*, punishes nuclear and coal generating facilities by imposing a two-cent per kilowatt hour tax on their output.

Adopting a "windfall profits" tax or an electric generators tax is bad public policy. Both policies will put upward pressure on electric rates and will stunt economic development and job growth.

Like all businesses, electric generators incorporate all costs, including taxes, into the price for their product. This means that a windfall profits tax or electric generator tax will increase the cost of electricity for customers. Connecticut already pays artificially high rates for electricity. Connecticut's business and residential ratepayers do not need additional policies that will put upward pressure on electric rates.

Enacting a windfall profits tax or a generators tax on electric generators will discourage investment in Connecticut. Currently, our generation needs are adequate. However, what happens when plants retire, our demand increases or generators decide to leave Connecticut in order to escape these new taxes? These proposed policies could dissuade companies from investing in Connecticut which will reduce economic development and increase electric rates.

Additionally, even though these proposed bills are aimed at electric generators, they could have far-reaching and negative impacts on other industries too. Businesses analyze multiple factors when determining where to invest, including what governmental policies are in place. It would be reasonable for industries to consider Connecticut a risky place to invest when Connecticut annually proposes a bill to make us the only state in the country to impose a windfall profits tax on electric generators. Other industries would rightfully wonder if they could be the next target for such a proposed tax.

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For the aforementioned energy policy and economic development reasons, CBIA strongly opposes **Proposed HB-5699** and **Proposed HB-6026** and urges the committee to reject the proposed bills.

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